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UNCLAS PRAGUE 000197

SIPDIS

STATE FOR EUR/NCE AND EB/CIP  
COMMERCE FOR 4232/ITA/MAC/MROGERS

E.O. 12958: N/A

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SUBJECT: MAJOR EUROPEAN TELECOMS COMPANIES MAKE PRELIMINARY  
OFFERS FOR CESHY TELECOM

REF: A. 04 PRAGUE 1790

1B. SOFIA 208

11. Five entities made preliminary offers for the Czech Republic's leading telecoms company, Cesky Telecom (CT), by the January 31 deadline for doing so. They are the Spanish firm Telefonica, Belgium's Belgacom, Swisscom, and two financial groups, a consortium of the U.S. company Blackstone Group, CVC Capital Partners and Providence Equity and another consortium of the Czech holding company PPF, the Slovak financial firm J&T and data telecommunications company InWay. The government will require the latter two bidders to find partners with experience in managing telecoms in order to have access to CT documentation. Apparently InWay (a subsidiary of PPF) does not fill the bill. The financial bidders may turn to companies like France Telecom or Vodafone that had shown interest but did not actually put in a preliminary bid. They may even try to find a partner among the companies that did bid.

12. Offers are preliminary and may change after full due diligence is finished. Binding offers are due March 31. The preliminary offers, as reported, should be reassuring to the Czech government that it made the right decision in seeking a "strategic" sale before turning to a public offering on the stock exchange as just occurred in Bulgaria (reftels). The government approved continued negotiations with the five bidders on February 9. The most interesting offers are the outliers. PPF was highest at Kc 71.3 billion (\$3.1 billion), while Swisscom came in lowest at only Kc 60.9 billion (\$2.6 billion). The offers may say something about how much PPF wants to win, and about how confident Swisscom feels it is. All but Swisscom are offering more than the current Kc 400 (\$17.40) per share price of CT shares on the local stock market. At that price, the state's shares are worth Kc 66 billion (\$2.86 billion).  
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